

Americans for Financial Reform

Accountability, Fairness, Security

The Honorable Peter DeFazio
2134 Rayburn House Office Building
Washington, DC 20515

November 20, 2009

Dear Representative DeFazio,

We are writing in support of the "Let Wall Street Pay for the Restoration of Main Street Act of 2009," co-sponsored by Rep. Michael Arcuri, Rep. Ed Perlmutter, Rep. Bruce Braley, Rep. Betty Sutton, and Rep. Bob Filner.

America's financial sector has blown a hole in the economy so large that it will take many years to repair. The formal unemployment rate is above 10 percent and underemployment is an astonishing 17 percent. Yet last week, *Bloomberg News* calculated that the top three bailed-out Wall Street firms are on track to pay \$30 billion in bonuses to their top officers this year.

Taxpayers have done their share. They have put \$3 trillion dollars at risk in an effort to stabilize the financial system and have gotten little in return. Too many banks are not lending to small businesses, they are not helping American families facing foreclosure, but they are raising credit card and other bank fees at a rapid clip.

Your bill would put Wall Street to work for the public good, by placing a modest securities transaction tax on trades of stocks, options and swaps. A tax on these trades has little impact on the average investor or pension fund because they hold their investments for the long-term, but it does disincentivize Wall Street gambling and high-volume short-term speculative trading.

At a time when funds are urgently needed to address the employment crisis, this bill would provide an important, reliable revenue stream. A modest tax of 0.25 percent would raise approximately \$150 billion a year.

The idea of a transaction tax is not a new one. The United States had a transfer tax from 1914 to 1966 which levied a 0.2 percent tax on all sales or transfers of stock. In 1932, Congress more than doubled the tax to help financial recovery and job creation during the Great Depression.

Critics charge that if the United States reapplies this tax domestically it would simply push trading overseas. This claim is demonstrably false as the United Kingdom currently levies a similar tax and has the highest volume exchange in Europe. Moreover, every major European leader is now calling for this type of tax to be applied globally, and the United States is the major roadblock to this plan.

The “Let Wall Street Pay for the Restoration of Main Street Act” is an important step in the right direction.

Sincerely,

Americans for Financial Reform*
Americans for Democratic Action
A New Way Forward
AFL-CIO
Campaign for America’s Future
Center for Media and Democracy
Change to Win, Investment Group
Consumer Watchdog
Empire Justice Center
Foreign Policy in Focus
International Brotherhood of the Teamsters
Institute for Policy Studies, Global Economy Project
New Jersey Citizen Action
Neighborhood Economic Development Advocacy Project (NEDAP)
Public Citizen
SEIU
USAction
U.S.PIRG

Cc: The Honorable Michael Arcuri
The Honorable Ed Perlmutter
The Honorable Bruce Braley
The Honorable Betty Sutton
The Honorable Bob Filner

* All the organizations of Americans for Financial Reform support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.